

# PERAC AUDIT REPORT



Berkshire Regional Contributory Retirement System  
JAN. 1, 2005 - DEC. 31, 2006



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*


May 16, 2008

The Public Employee Retirement Administration Commission has completed an examination of the Berkshire Regional Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2005 to December 31, 2006. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of those noted in the finding presented in this report.

In closing, I acknowledge the work of examiner Robert Madison who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



## EXPLANATION OF FINDINGS AND RECOMMENDATIONS

### **Membership Contributions:**

Based on inspection and inquiry, it was determined that the Berkshire Regional Retirement Board lacks a uniform method of correctly reporting monthly membership payroll. The Berkshire Regional Retirement Board administers forty-five (45) governmental units. Thirteen of the forty-five units did not report "Other Earnings" which makes it impossible to determine if "Regular Earnings" is exclusive of earnings not subject to pension deductions such as Overtime or Police Detail pay.

### **Recommendations:**

Reporting of member contributions should be made on a prescribed form for all member units. The prescribed form should be consistent with G.L. c. 32 § 22(1) (h) and include the following member information:

1. Name,
2. Social Security or employee number,
3. Membership date,
4. Contribution rate,
5. Compensation by type: total, regular, overtime, other,
6. Regular and 2% incremental deductions,
7. Any other information deemed appropriate

The prior PERAC audits (dating to period ending December 31, 2001) contained the same determination that it was impossible to determine the types of earnings in "Regular Earnings". It is the auditor's recommendation that the Board verify by sampling or other means that "Regular Earnings" is exclusive of earnings not subject to pension deductions such as Overtime or Police Detail pay.

### **Board Response:**

Over 30 of the 45 units currently submit the prescribed monthly deduction report. Those units that do not use the prescribed monthly deduction report submit the proper information necessary for verification of wages. The units that do not use the prescribed monthly deduction report have indicated that it is a computer update or new report that must be created and cost prevents the update. All of the units have indicated that as computer systems are updated the prescribed monthly deduction report will be added so that they will be in compliance. The retirement staff will also visit each member unit over the next year and review payroll records with each treasurer to ensure that retirement deductions are in accordance with MGL Ch. 32.

### **FINAL DETERMINATION:**

***PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.***

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

		AS OF DECEMBER 31,	
		2006	2005
<b>Net Assets Available For Benefits:</b>			
Cash		\$1,388,160	\$3,193,912
PRIT Core Fund		129,944,278	109,801,465
Accounts Receivable		171,453	147,039
Accounts Payable		(3,366)	(4,326)
<b>Total</b>		<u>\$131,500,525</u>	<u>\$113,138,089</u>
<b>Fund Balances:</b>			
Annuity Savings Fund		\$27,049,761	\$25,487,161
Annuity Reserve Fund		7,652,696	7,493,104
Military Service Fund		2,705	2,689
Pension Fund		1,451,185	2,394,396
Expense Fund		0	0
Pension Reserve Fund		95,344,178	77,760,740
<b>Total</b>		<u>\$131,500,525</u>	<u>\$113,138,089</u>

## STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2005)	\$24,010,098	\$7,430,823	\$3,268,439	\$2,673	\$0	\$65,916,839	\$100,628,873
Receipts	2,954,284	219,420	5,103,073	16	807,914	11,843,900	20,928,607
Interfund Transfers	(960,077)	960,077	0	0	0	0	0
Disbursements	(517,145)	(1,117,216)	(5,977,115)	0	(807,914)	0	(8,419,390)
Ending Balance (2005)	25,487,161	7,493,104	2,394,396	2,689	0	77,760,740	113,138,089
Receipts	3,177,672	220,621	5,366,452	16	966,871	17,583,438	27,315,070
Interfund Transfers	(1,031,994)	1,031,994	0	0	0	0	0
Disbursements	(583,077)	(1,093,023)	(6,309,663)	0	(966,871)	0	(8,952,634)
Ending Balance (2006)	\$27,049,761	\$7,652,696	\$1,451,185	\$2,705	\$0	\$95,344,178	\$131,500,525

# STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,		
	2006	2005
<b>Annuity Savings Fund:</b>		
Members Deductions	\$2,833,767	\$2,663,833
Transfers from Other Systems	114,341	41,856
Member Make Up Payments and Re-deposits	79,385	99,488
Member Payments from Rollovers	1,544	9,542
Investment Income Credited to Member Accounts	148,635	139,565
Sub Total	<u>3,177,672</u>	<u>2,954,284</u>
<b>Annuity Reserve Fund:</b>		
Investment Income Credited to the Annuity Reserve Fund	<u>220,621</u>	<u>219,420</u>
<b>Pension Fund:</b>		
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	158,995	152,610
Pension Fund Appropriation	278,895	459,748
	<u>4,928,562</u>	<u>4,490,715</u>
Sub Total	<u>5,366,452</u>	<u>5,103,073</u>
<b>Military Service Fund:</b>		
Investment Income Credited to the Military Service Fund	<u>16</u>	<u>16</u>
Sub Total	<u>16</u>	<u>16</u>
<b>Expense Fund:</b>		
Investment Income Credited to the Expense Fund	<u>966,871</u>	<u>807,914</u>
Sub Total	<u>966,871</u>	<u>807,914</u>
<b>Pension Reserve Fund:</b>		
Federal Grant Reimbursement	9,664	1,885
Pension Reserve Appropriation	126,628	416,655
Interest Not Refunded	14,939	11,901
Miscellaneous Income	12,208	12,875
Excess Investment Income	<u>17,420,000</u>	<u>11,400,585</u>
Sub Total	<u>17,583,438</u>	<u>11,843,900</u>
<b>Total Receipts</b>	<u><u>\$27,315,070</u></u>	<u><u>\$20,928,607</u></u>

# STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,		
	2006	2005
<b>Annuity Savings Fund:</b>		
Refunds to Members	\$468,569	\$381,764
Transfers to Other Systems	<u>114,508</u>	<u>135,381</u>
Sub Total	<u>583,077</u>	<u>517,145</u>
<b>Annuity Reserve Fund:</b>		
Annuities Paid	1,090,676	1,069,884
Option B Refunds	<u>2,346</u>	<u>47,332</u>
Sub Total	<u>1,093,023</u>	<u>1,117,216</u>
<b>Pension Fund:</b>		
Pensions Paid:		
Regular Pension Payments	5,005,312	4,840,683
Survivorship Payments	271,779	260,035
Ordinary Disability Payments	41,155	38,461
Accidental Disability Payments	360,815	309,857
Accidental Death Payments	132,740	130,580
Section 101 Benefits	23,055	22,384
3 (8) (c) Reimbursements to Other Systems	405,497	307,455
State Reimbursable COLA's Paid	<u>69,309</u>	<u>67,660</u>
Sub Total	<u>6,309,663</u>	<u>5,977,115</u>
<b>Military Service Fund:</b>		
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>		
Board Member Stipend	16,583	17,000
Salaries	159,920	146,305
Legal Expenses	12,177	9,551
Travel Expenses	7,773	6,498
Administrative Expenses	44,189	45,126
Furniture and Equipment	7,405	2,292
Management Fees	690,909	561,307
Service Contracts	19,922	11,725
Fiduciary Insurance	<u>7,992</u>	<u>8,110</u>
Sub Total	<u>966,871</u>	<u>807,914</u>
<b>Total Disbursements</b>	<u><b>\$8,952,634</b></u>	<u><b>\$8,419,390</b></u>



# INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,		
	2006	2005
<b>Investment Income Received From:</b>		
Cash	\$122,420	\$79,904
Pooled or Mutual Funds	3,984,842	3,326,640
<b>Total Investment Income</b>	<u>4,107,263</u>	<u>3,406,544</u>
<b>Plus:</b>		
Realized Gains	8,135,896	6,285,861
Unrealized Gains	10,989,541	10,521,299
Sub Total	<u>19,125,436</u>	<u>16,807,160</u>
<b>Less:</b>		
Unrealized Loss	(4,476,556)	(7,646,204)
Sub Total	<u>(4,476,556)</u>	<u>(7,646,204)</u>
<b>Net Investment Income</b>	<u>18,756,143</u>	<u>12,567,500</u>
<b>Income Required:</b>		
Annuity Savings Fund	148,635	139,565
Annuity Reserve Fund	220,621	219,420
Military Service Fund	16	16
Expense Fund	<u>966,871</u>	<u>807,914</u>
<b>Total Income Required</b>	<u>1,336,143</u>	<u>1,166,915</u>
Net Investment Income	<u>18,756,143</u>	<u>12,567,500</u>
Less: Total Income Required	<u>1,336,143</u>	<u>1,166,915</u>
<b>Excess Income To The Pension Reserve Fund</b>	<u>\$17,420,000</u>	<u>\$11,400,585</u>

# SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2006			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,388,160	1.1%	100%
PRIT Core Fund	<u>129,944,278</u>	<u>98.9%</u>	100%
<b>Grand Total</b>	<u><u>\$131,332,439</u></u>	<u><u>100.0%</u></u>	

For the year ending December 31, 2006, the rate of return for the investments of the Berkshire Regional Retirement System was 16.62%. For the five-year period ending December 31, 2006, the rate of return for the investments of the Berkshire Regional Retirement System averaged 11.42%. For the twenty-two year period ending December 31, 2006, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Berkshire Regional Retirement System was 10.70%.

## SUPPLEMENTARY INVESTMENT REGULATIONS

The Berkshire Regional Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

August 13, 1997

20.03(1) Equity investments shall not exceed 45% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.

August 5, 1993

16.02(4) The Board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one year .08% of the valued of the fund.

# NOTES TO FINANCIAL STATEMENTS

## NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Berkshire Regional Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

### ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

### PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

#### **Group 1:**

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

#### **Group 2:**

Certain specified hazardous duty positions.

#### **Group 4:**

Police officers, firefighters, and other specified hazardous positions.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

### RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

### RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

### SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

## NOTES TO FINANCIAL STATEMENTS (Continued)

### AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

### DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

### WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

#### ORDINARY DISABILITY

**Eligibility:** Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

**Retirement Allowance:** Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

#### ACCIDENTAL DISABILITY

**Eligibility:** Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

**Retirement Allowance:** 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$667.92 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### ACCIDENTAL DEATH

**Eligibility:** Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

**Allowance:** An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

### DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

### DEATH IN ACTIVE SERVICE

**Allowance:** An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.



## NOTES TO FINANCIAL STATEMENTS (Continued)

### COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

### METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

**Option A:** Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

**Option B:** A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

**Option C:** A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Berkshire Regional Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

October 9, 2007

If a member is reduced to less than 20 hours per week and the reduction in hours is permanent or reduction lasts more than 90 days, creditable service will be prorated. Creditable service will be prorated based on a 35 hour work week. Proration will continue until the member is reinstated or rehired permanently to a position of 20 hours or more per week.

November 8, 2002 (Amendment)

Buybacks of prior ineligible service by members of the Berkshire Regional Retirement System will be prorated based on 35 hours (Amended from 40 hours).

November 8, 2002

- 1) That the Board will not accept liability for non-members of the System for buybacks of non-eligible service and/or service in which the non-member had the right to join the retirement system, but did not join.
- 2) Buybacks of prior ineligible service by members of the System will be prorated based on 40 hours.

May 16, 2002

Payments for approved buybacks will be accepted on an annual basis, one payment annually in the month of December, until the buyback is complete.

March 19, 1997

That a full time employee will receive (1) full year of creditable service for each year employed. A part time employee whose position has always been part time is granted full creditable service.

February 16, 1996

A member will be allowed to make a buyback or repayment of a refund over a period of time not to exceed five (5) years, provided that the member files with the board a formal application form that the board will provide.

March 16, 1993

All employees, including elected officials, requesting membership in the Berkshire Regional Retirement System are required to submit a pre-employment physical examination report, which shall be filed as a permanent record with the retirement board. The cost of the physical examination will be the responsibility of the employee.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

February 1, 1989

All employees, including police officers and firefighters, must work twenty (20) hours per week to meet the requirements of membership in the Berkshire Regional Retirement System.

February 13, 1985

That the by-laws pertaining to name; authority; membership; officers and their election; duties of officers; meeting; parliamentary authority; and amendment to by-laws.

December 21, 1984

That an employee must work a minimum of twenty (20) hours per week to meet the requirements of membership in the Berkshire Regional Retirement System.

That a full time employee will receive one (1) full year of creditable service for each year employed. A part-time employee whose position has always been part-time is granted full creditable service. A part-time employee who becomes full time has the part-time service prorated.

That no employee who seeks to join the Retirement System under Group 4 will be accepted as a member without a complete, thorough and up-to-date medical and physical report filed as a permanent record with the Retirement Board prior to his acceptance as a member of this system.

That police officers and fire fighters, if they are employed on a regular basis by a town, even though they work less than the required twenty hours a week, and are paid with monies appropriated by the town for salaries, shall become members. (Repealed February 1, 1989).

That if an elected official is not a member of the Retirement System before their election by popular vote, they do not have to join; but they may join by applying for membership, in writing, within ninety (90) days after assuming office.

That all major injuries incurred due to employment must be reported in writing to the retirement board within 90 days of the accident.

That the financial and medical records of members of the Berkshire Regional Retirement System are not public records.

That the retirement board may appoint an Executive Secretary who is to be in full charge of all retirement board employees. Such Executive Secretary's responsibilities may include, but not be limited to, directing, coordinating and supervising the retirement board staff.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

That the retirement board staff who are applying for disability retirement allowances shall be precluded from access to such disability application, other than that in which any other applicant would have.

## NOTES TO INANCIAL STATEMENTS (Continued)

### NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of a Chairman who shall be elected by the board members, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member:	Michael Ovitt		12/31/08
Appointed Member:	Deborah Cotter	Term Expires:	12/31/09
Elected Member:	Patricia Carlino	Term Expires:	12/31/10
Elected Member:	Peter Menard	Term Expires:	12/31/08
Appointed Member:	Gerald Doyle Jr.	Term Expires:	6/30/10

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	1. AMITY INSURANCE
Ex-officio Member:	)	\$50,000,000 Fiduciary
Elected Member:	)	\$1,000,000 ERISA Bond
Appointed Member:	)	2. MASSACHUSETTS MIIA
Staff Employee:	)	\$1,000,000 General Liability

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2007.

The actuarial liability for active members was	\$75,672,492
The actuarial liability for vested terminated members was	2,734,858
The actuarial liability for non-vested terminated members was	495,426
The actuarial liability for retired members was	<u>63,201,075</u>
The total actuarial liability was	142,103,851
System assets as of that date were	116,470,310
 The unfunded actuarial liability was	 <u>\$25,633,541</u>
The ratio of system's assets to total actuarial liability was	82.0%
As of that date the total covered employee payroll was	\$33,910,423

The normal cost for employees on that date was	8.20% of payroll
The normal cost for the employer was	5.70% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.00% per annum
Rate of Salary Increase:	Varies by job group and service

### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2007

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2007	\$116,470,310	\$142,103,851	\$25,633,541	82.0%	\$33,910,423	75.6%
1/1/2005	\$96,305,090	\$125,317,413	\$29,012,323	76.8%	\$30,878,083	94.0%
1/1/2003	\$81,672,014	\$110,201,798	\$28,529,784	74.1%	\$28,383,602	100.5%



## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 6 - MEMBERSHIP EXHIBIT

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Retirement in Past Years</b>										
Superannuation	15	18	14	23	19	31	10	21	3	28
Ordinary Disability	4	4	3	3	3	0	0	0	0	1
Accidental Disability	6	4	2	3	3	0	0	0	0	2
<b>Total Retirements</b>	25	26	19	29	25	31	10	21	3	31
Total Retirees, Beneficiaries and Survivors	558	576	578	595	629	643	592	575	628	657
Total Active Members	1,283	1,329	1,329	1,316	1,389	1,352	1,341	1,209	1,287	1,347
<b>Pension Payments</b>										
Superannuation	\$2,911,221	\$3,120,585	\$3,384,205	\$3,205,858	\$3,298,250	\$4,104,802	\$4,473,924	\$4,694,083	\$4,840,683	\$5,005,312
Survivor/Beneficiary Payments	230,663	249,333	246,532	239,638	270,126	251,468	256,956	257,125	260,035	271,779
Ordinary Disability	41,237	39,163	40,732	41,605	38,776	44,158	45,439	33,976	38,461	41,155
Accidental Disability	106,999	98,155	103,891	102,285	99,583	170,277	203,173	232,553	309,857	360,815
Other	112,319	109,416	111,139	116,910	110,953	144,585	147,359	150,152	528,079	630,601
<b>Total Payments for Year</b>	<b>\$3,402,439</b>	<b>\$3,616,652</b>	<b>\$3,886,499</b>	<b>\$3,706,296</b>	<b>\$3,817,688</b>	<b>\$4,715,290</b>	<b>\$5,126,851</b>	<b>\$5,367,889</b>	<b>\$5,977,115</b>	<b>\$6,309,663</b>

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